

AUSTRALIAN IPO ACTIVITY FOR THE FIRST HALF OF 2022

IPO WATCH AUSTRALIA MID-YEAR REPORT

JULY 2022



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ABOUT IPO WATCH AUSTRALIA

Established in 2004, IPO Watch Australia is a benchmarking-based report. The research, led by HLB Mann Judd Perth, analyses Australian listing activity. The primary report is released in January, and it analyses IPO activity from the previous 12-month period. A second, short-form, report is published in July and focuses on the first six months of the calendar year (IPO Watch Australia Mid-Year Report).

Both reports are authored by Corporate & Audit Services Partner, Marcus Ohm and co-written by Isabel Godfrey. The report commentary articulates key data points and explores themes arising from market activity.

IPO Watch Australia is widely recognised in the market and is routinely referenced by clients, national media and the broader business community.

Disclaimer - The analysis presented in this report relates to all initial public offerings (IPOs) that have resulted in the listing of an entity's securities on the Australian Securities Exchange (ASX) with the exception of compliance, backdoor listings and offers of non-equity securities.

The term "small cap" is used to refer to companies with a market capitalisation of less than \$100 million. All analysis by reference to market capitalisation on listing is based on the price at which new securities were issued.

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CONTENTS

FOREWORD	4
SECTOR ANALYSIS	5
2022 SNAPSHOT	6
IPO SUBSCRIPTION RATES	7
IPO MARKET PERFORMANCE	8
THE ROAD AHEAD	9
ABOUT HLB MANN JUDD	10

FOREWORD



Marcus Ohm
Partner
Corporate & Audit Services
Perth

NEW CHALLENGES FOR THE IPO MARKET

The Australian IPO market had a particularly strong start to 2022, continuing the exceptional year seen in 2021 for new listings. There were 59 new listings in the first six months of the year compared to 61 in the same period in 2021. By 30 June, there was evidence the market for new listings was becoming difficult against a backdrop of wider market sentiment which saw the ASX All Ordinaries close at 6,747, down almost 13% from the beginning of the year.

The total amounts raised from IPOs fell considerably to \$790 million in the first half of 2022, a significant difference compared to the \$2.9 billion raised in the first half of 2021. Total amounts raised were impacted by the lack of large cap listings (those in excess of \$100 million market cap), with only five new large cap entrants compared to 13 listings at the end of June 2021.

The average amounts raised by large caps also fell during the period, with the average large cap raising \$76.9 million in 2022 compared to \$184 million during the same period in 2021. Average amounts raised by small caps also fell, from \$9.6 million to \$7.5 million reflecting the tougher market conditions in 2022 compared to the previous period. There was also an overall decline in the number of listings achieving their subscription targets - 73% in comparison to 87% in 2021.

The ASX All Ordinaries Index fell significantly in the second quarter of 2022 with factors such as inflationary fears, geopolitical instability and interest rate rises impacting markets worldwide. The June quarter saw more listings than the March quarter, with a total of 34 listings compared to 25 in March. Macroeconomic and capital market conditions will most likely impact the IPO market in the second half of 2022.

There was a total of 54 small cap listings in the first six months of the year compared to 48 listings in the same period last year. The Materials sector comprised 80% of all new small cap listings compared to 54% in the same period in 2021.

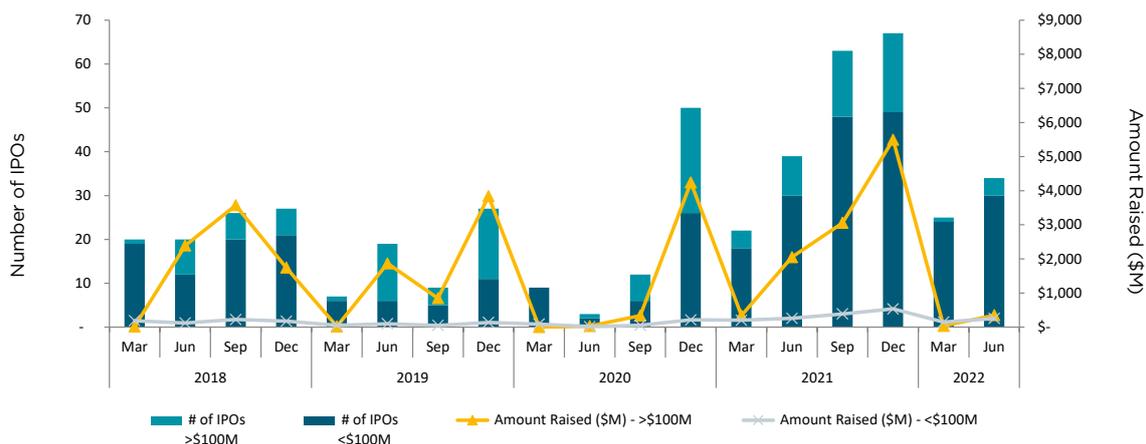
Overall, the Materials and Energy sectors were the only two industries to record multiple small cap IPOs in the first six months of the year. The Software & Services sector saw one listing during the period, raising \$2.4 million compared to three listings in the previous period which raised \$31 million. There were no new listings in the Retailing sector, compared to three small cap entrants in 2021.

Due to the predominance of the resources sector (made up of Materials and Energy companies) 71% of new listings came from Western Australia, reflecting the strength of these sectors in the state.

Fifty-eight per cent of new market entrants enjoyed a first day gain over listing price. Overall, the average first day gain was 18%. However, only 19 listings (or 32%) made a period end gain with an average loss across all listings of 10%, a reflection of wider market falls.

The pipeline at the end of June 2022 reflects uncertain market conditions with only 15 floats preparing to list for a total of \$121 million. Of those, 13 are small cap resources companies seeking to raise on average only \$6.8 million.

IPO ACTIVITY BY QUARTER



SECTOR ANALYSIS

A FALL IN SECTOR DIVERSITY IN 2022

Industry	All Listings				Small Cap Only			
	2022		2021		2022		2021	
	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)
Automobiles & Components	-	-	-	-	-	-	-	-
Banks	-	-	1	501	-	-	-	-
Capital Goods	1	10	1	3	1	10	1	3
Commercial & Professional Services	2	188	2	16	1	5	2	16
Consumer Durables & Apparel	-	-	1	7	-	-	1	7
Consumer Services	-	-	1	212	-	-	-	-
Diversified Financials	3	77	3	210	1	5	2	10
Energy	3	31	1	7	3	31	1	7
Food & Staples Retailing	1	6	-	-	1	6	-	-
Food, Beverage & Tobacco	1	5	1	206	1	5	-	-
Health Care Equipment & Services	2	36	3	425	1	6	2	14
Hotels, Restaurants & Leisure	-	-	-	-	-	-	-	-
Household & Personal Products	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Materials	44	428	31	649	43	328	26	220
Media	-	-	2	102	-	-	1	18
Pharmaceuticals, Biotechnology & Life Sciences	1	7	4	140	1	7	3	50
Real Estate	-	-	-	-	-	-	-	-
Retailing	-	-	4	298	-	-	3	38
Semiconductors & Semiconductor Equipment	-	-	-	-	-	-	-	-
Software & Services	1	2	3	31	1	2	3	31
Technology Hardware & Equipment	-	-	-	-	-	-	-	-
Telecommunication Services	-	-	1	22	-	-	1	22
Transportation	-	-	1	12	-	-	1	12
Utilities	-	-	1	14	-	-	1	14
Total	59	790	61	2,855	54	405	48	462

There was a lack of sector diversity in the first six months of the year, with only 10 industries recording new market entrants. This is a significant fall in representation, compared to the 17 sectors represented in the first six months of 2021. Listings were dominated by the resources sector, made up of Materials and Energy companies, which had 80% of all listings in the period. No other sector recorded more than one small cap entrant.

Materials was the dominant sector during the period with a total of 44 out of 59 new entrants. Gold projects continued to prevail, with 21 of the Materials listings holding gold projects. In addition, multiple listings held projects with a focus on lithium, nickel and cobalt prospects, reflecting the increasing global demand for battery metals. In terms of share price performance across the Materials sector, companies recorded on average a first day gain of 19%, falling to a 0.2% gain by the end of June 2022.

The highest first day gain across all new listings was Lithium Plus Minerals Limited (ASX: LPM) at 180% and a period end gain of 72% over listing price.

The strongest performance by period end was Nico Resources Limited (ASX: NC1) which recorded a gain of 265% against a day one gain of 80%.

Only 3 out of 12 listings outside of the resources sector recorded first day gains. The largest first day gain was Firebrick Pharma Limited (ASX: FRE), the only Pharmaceuticals, Biotechnology and Life Sciences listing in the period, which recorded a first day gain of 165% falling to a gain of 33% by 30 June 2022.

There were five new large cap listings during the period raising a total of \$385 million. They were represented by Diversified Financials (2 listings), Commercial & Professional Services (1 listing), Healthcare Equipment & Services (1 listing) and Materials (1 listing) sectors. The largest listing during the period was Chrysol Corporation Limited (ASX: C79, \$183.3 million raised) in the Commercial & Professional Services sector which was only one of two listings to raise over \$100 million.

2022 SNAPSHOT

COMPARED TO THE FIRST HALF OF 2021



61 listings in 2021*



\$2.9 billion in 2021*



21% in 2021*



48 listings in 2021*



31 listings in 2021*



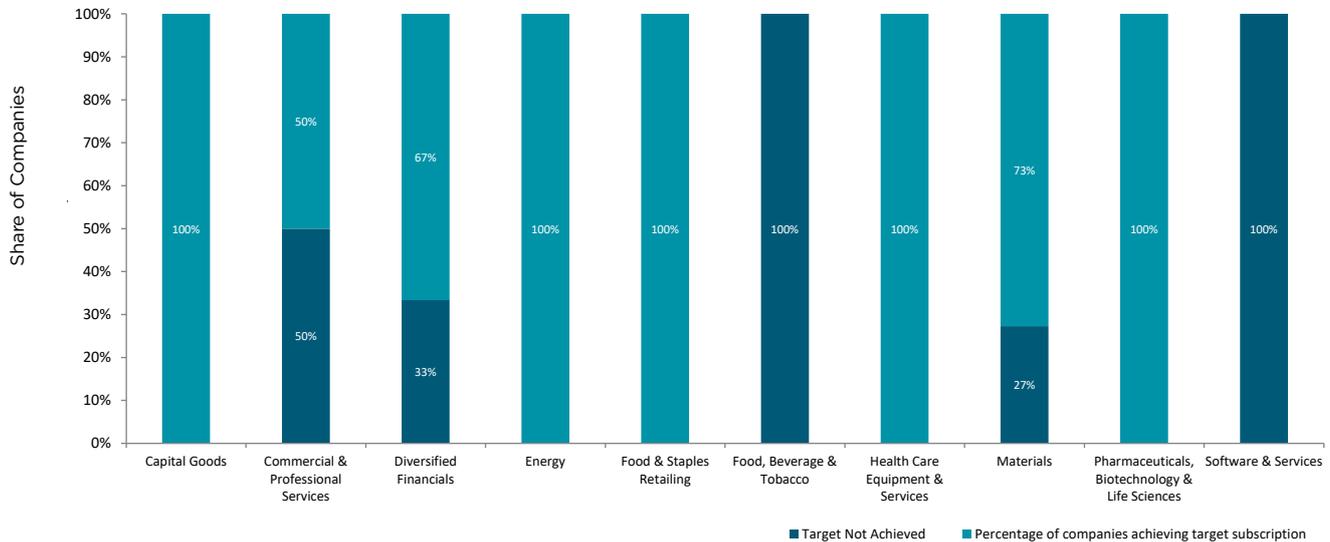
6% average period end gain*

*in the first 6 months of 2021

IPO SUBSCRIPTION RATES

SUBSCRIPTION RATES FALL DURING 2022

PERCENTAGE OF COMPANIES ACHIEVING TARGETS BY SECTOR



The first six months of 2022 experienced a fall in the number of companies achieving their target subscription amount. Of the 59 listings in the period, only 73% of companies achieved their target compared to 87% in the same period in 2021. However, 98% of total funds sought were raised which is similar to the prior year (99%).

All five large cap listings achieved their targeted subscriptions. However, this did not translate into share price performance with all large cap listings recording a first day loss and period end loss. Beforepay Group Limited (ASX: B4P) closed down 44% on the first day of trading with the loss increasing to 93% by period end. Halo Technologies Limited (ASX: HAL) ended the first day of trading only 8% down on issue price however by 30 June 2022, this had increased significantly to 80%. Both of these listings were in the Diversified Financials sector.

Fully subscribed listings in the Materials sector fell to 73% during the period, compared to 81% at the same time in the prior year. A total of 32 Materials listings achieved their target, including the only large cap Materials listing in the period, Leo Lithium Limited (ASX: LLL) which experienced a first day loss of 26% and a loss of 21% by 30 June 2022.

In relation to technology listings, Orexplore Technologies Limited (ASX: OXT), the only Software & Services listing in the period, achieved 98% of its targeted subscription and subsequently recorded a first day loss of 46% upon listing and a period end loss of 71%. In terms of other industry sectors, Catalano Seafood Ltd (ASX: CSF), the only listing in the Food, Beverage & Tobacco sector, achieved 84% of its target, with a first day loss of 10% and a period end loss of 5%.

The best performing market capitalisation range, achieving a 100% subscription rate on average, was the \$100+ million bracket, with all listings reaching their target. The second best performing range was \$10-25 million, which reached 99% of subscription targets, closely followed by the \$25-50 million and \$0-10 million brackets which raised 96% and 93% of targeted funds, respectively.

Underwriting levels fell during the period with only four of 59 listings being underwritten of which three listings were large caps. This represents a large fall in underwritten listings from 2021 with only 7% of listings being underwritten in 2022 compared to 31% during the same period in 2021.

PERCENTAGE OF SUBSCRIPTION TARGET ACHIEVED¹



¹ Based on the funds target being the midpoint of any allotment range (some companies do not have a range). This means actual fundraising can exceed "targeted" fundraising (i.e. oversubscription).

IPO MARKET PERFORMANCE

DIFFICULT MARKET CONDITIONS FOR NEW ENTRANTS

HISTORIC PERFORMANCE - ALL ORDINARIES AND IPOs

	All Ordinaries Index	Average First Day Gain/Loss ¹	Average Period End Gain/Loss ¹
6 Months June 2022	-13%	18%	-10%
Year end December 2021	14%	20%	17%
Year end December 2020	1%	31%	34%
Year end December 2019	19%	24%	35%
Year end December 2018	-7%	10%	-18%

¹Average gain/loss relative to listing price for all new IPOs listed in the respective period.

The average first day gain of new market entrants in the first six months of the year was 18%, consistent with the first half of 2021 which had an average first day gain of 21%. In total, 34 out of 59 listings recorded a first day gain representing 58% of companies. However, listings generally struggled to sustain initial first day gains and only 19 companies (or 32%) achieved a period end gain. At 30 June 2022, the average period end loss across all new market entrants was 10%, a reflection of the difficult conditions in the wider market. The period end loss from new listings was in line with wider falls in the ASX All Ordinaries Index, which had fallen 13% from 7,779 at the beginning of 2022 to 6,747 by the end of the period.

In terms of specific industry sectors, the Materials sector recorded an average first day gain of 19% and an average period end gain of 0.2%. This compares more broadly to the S&P/ASX 200 Resources Index which recorded a loss of 2% during the period.

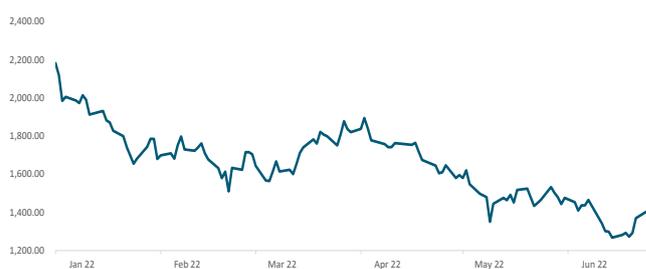
The worst performing sectors during the period in terms of average period end loss were Diversified Financials (-80%, 3 listings), Software & Services (-71%, 1 listing) and Commercial & Professional Services (-60%, 2 listings).

Markets have been impacted by unfavourable macroeconomic and capital market conditions as well as weakening investor sentiment. Market instability is likely to have a dampening effect on IPO activity in the near term, particularly within a rising interest rate environment.

**S&P/ASX 200 RESOURCES INDEX
(SIX-MONTH PRICE HISTORY)**



**S&P/ASX ALL TECHNOLOGY INDEX
(SIX-MONTH PRICE HISTORY)**



THE ROAD AHEAD

AUSTRALIA'S 2022 IPO OUTLOOK

There were 15 companies seeking to list at the end of June 2022 representing a marked fall against the 43 proposed listings at the same time in 2021. The total amount sought by these potential new entrants is only \$121 million compared to \$1.25 billion in the previous period. The pipeline is reflective of the challenges facing the IPO market for the remainder of 2022. It is exclusively comprised of small caps with no proposed large cap listings at time of writing.

The resources sector, with 12 Materials companies and one Energy company, represents 87% of proposed new market entrants. The average amount sought in this sector is just \$6.8 million reflecting the typical small cap composition of new entrants from the resources sector. Battery metals, including copper and nickel, remain popular commodities with eight of the Materials companies holding projects for these metals. A total of four upcoming listings hold gold projects and two proposed listings hold lithium projects.

Synergen Met (ASX:SH2) is the largest registered upcoming float, seeking to raise \$25 million. The company specialises in thermal plasma technology to create sustainable solutions to environmental challenges.

PAST TRANSACTIONS

HLB MANN JUDD IS PROUD TO HAVE ASSISTED IN THE FOLLOWING TRANSACTIONS IN THE PAST 12 MONTHS



EQUINOX
RESOURCES



Minerals 260



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The HLB Mann Judd Australasian Association consists of nine member firms and three representative firms across Australia, New Zealand and Fiji. It represents a group of specialists providing business advice and services to a wide range of business organisations and private clients.

Our experience

HLB Mann Judd's member firms currently audit over 7% of all ASX-listed companies and 10% of all ASX-listed resources companies in Australia. In addition to audit-related services, it also provides a broad range of advisory and tax services.

IPO readiness

HLB Mann Judd firms have extensive experience in assisting clients in their preparation for an IPO and in evaluating the benefits and feasibility of an IPO against alternative strategic options. Our assistance to companies pursuing an IPO typically includes:

- Investigating accountants' reports on historical and forecast financial information

- Independent experts' reports
- Analysis and advice on feasibility and alternatives to an IPO
- Pre-IPO diagnostic reviews
- Corporate and structuring advice
- Financial and taxation due diligence
- Valuations
- Company and shareholder tax advice and planning
- Accounting advice.

Global reach

HLB Mann Judd is a member of HLB International, the global advisory and accounting network. HLB has a history of innovation, collaboration and is dedicated to helping clients grow across borders. Through the power of more than 38,732 professionals across 157 countries, HLB combines local expertise and global capabilities to service clients' needs.

CONTACT

FOR SPECIALIST ADVICE CONTACT OUR
AUDIT AND CORPORATE ADVISORY PARTNERS

MARCUS OHM

Perth
T: +61 (0)8 9267 3225
E: mohm@hlbwa.com.au

JUDE LAU

Melbourne
T: +61 (0)3 9606 3888
E: jlau@hlbvic.com.au

SIMON JAMES

Sydney
T: +61 (0)2 9020 4000
E: sjames@hlbnsw.com.au

BEN FOCK

Wollongong
T: +61 (0)2 4254 6500
E: bfock@hlbw.com.au

COREY MCGOWAN

Adelaide
T: +61 (0)8 8133 5030
E: cmcgowan@hlbsa.com.au

JAMES HENDERSON

Brisbane
T: +61 (0)7 3001 8800
E: jhenderson@hlbqld.com.au

MEMBER FIRMS

ADELAIDE

169 Fullarton Road
Dulwich SA 5065
T: +61 (0)8 8133 5000

PERTH INSOLVENCY WA

Level 3, 35 Outram Street
West Perth WA 6005
T: +61 (0)8 9215 7900

AUCKLAND

Level 8, 57 Symonds Street
Auckland 1010 New Zealand
T: +64 (0)9 303 2243

SYDNEY

Level 19, 207 Kent Street
Sydney NSW 2000
T: +61 (0)2 9020 4000

BRISBANE

Level 15, 66 Eagle Street
Brisbane QLD 4000
T: +61 (0)7 3001 8800

WOLLONGONG

65 Kembla Street
Wollongong NSW 2500
T: +61 (0)2 4254 6500

FIJI

Top Floor, HLB House
3 Cruickshank Road
Nadi Airport, Fiji
T: + 679 670 2430

REPRESENTATIVE FIRMS

HOBART / Lorkin Delpero Harris

31 Davey Street
Hobart TAS 7000
T: +61 (0)3 6224 4844

MELBOURNE

Level 9, 575 Bourke Street
Melbourne VIC 3000
T: +61 (0)3 9606 3888

LISMORE / Thomas Noble and Russell

31 Keen Street
Lismore NSW 2480
T: +61 (0)2 6626 3000

PERTH

Level 4, 130 Stirling Street
Perth WA 6000
T: +61 (0)8 9227 7500

NEWCASTLE / Cutcher & Neale

130 Parry Street
Newcastle West NSW 2302
T: +61 (0)2 4928 8500

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